

Incentive Travel

ROI, Trends and Destinations

Introduction

Incentive travel is a business tool proven to change behavior, improve profit, cash flow, employee and customer engagement and other business objectives. Incentive travel also correlates to increased sales, boosted productivity, customer and talent retention, increased company loyalty, teamwork and decreased turnover. These programs are highly effective in impacting company performance with a positive bottom line that achieves other goals for the corporation.

Business Stakeholders

- Ninety-five percent of executives are concerned about retaining their key employees. *Source: PriceWaterhouseCoopers*
- Forty-seven percent of top performers are currently looking for a job. *Source: Leadership IQ*
- One-in-three employees are feeling dissatisfied and disloyal, to the point of hoping to be working elsewhere in the next 12 months. *Source: MetLife Employee Benefit Trends*

Changing Environment of Incentive Travel

- According to the Site Index panel and the MPI Business Barometer panel, 37 percent of planners in both incentive travel and meeting planning roles said their personal involvement in the other field had increased. Of that 37 percent, 74 percent came from North America and 20 percent came from Europe.
- Forty-nine percent of respondents said that the convergence of responsibilities impacted destination selection.

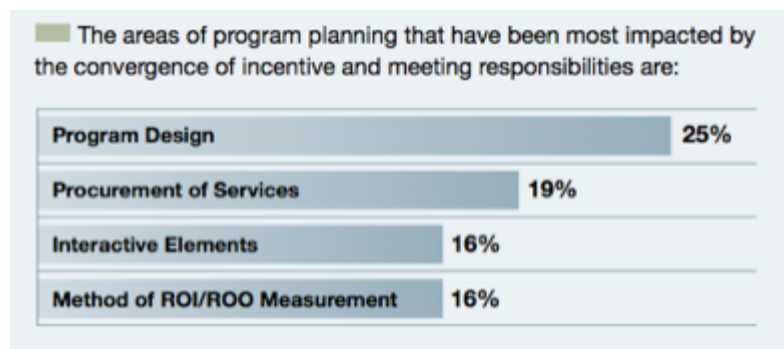


Figure 1: Site International Foundation

Travel and Business Benefits

- Recent studies confirm that business travel is necessary for successful business practice. *Source: Oxford Economics USA for the U.S. Travel Association and Destination & Travel Foundation*
- If a U.S. business eliminated travel for two years, the company would forfeit 12 percent of its profit in the first year of that cutback instead of recognizing a five percent growth. It would take three years for profits to recover from this cutback. *Source: Oxford Economics USA for the U.S. Travel Association and Destination & Travel Foundation*
- Forty percent of prospective customers are converted to new customer status as the result of face-to-face contacts including meetings and incentive travel programs. Without any interaction, it is estimated that only 16 percent of prospects would be customers. *Source: Oxford Economics USA for the U.S. Travel Association and Destination & Travel Foundation*

- Incentive programs are self-liquidating when properly planned and executed. In 2010, the incentive travel, meetings and events segment of tourism and travel accounted for \$92 billion of all business travel expenses. *Source: U.S. Travel Association.*
- Every dollar invested in business travel returns an average of \$12.50 in increased revenue and \$3.80 in new profits for the sponsoring company. *Source: U.S. Travel Answer Sheet, op.cit.*

ROI and VOI

Only 14 percent of companies use ROI as a measurement for success in their recognition program. In most cases, companies use methods to measure value on investment (VOI).

Source: Site International Foundation. Using Recognition and Incentives to Drive Results.

Memorable Characteristics of Incentive Travel

- 88.6 percent of those who earned the travel reward agreed that it made them feel appreciated by the host company.
- 72.4 percent of earners reported an increased feeling of loyalty toward the company that provided the award.
- 77 percent of award earners said that earning the travel award increased their feeling of being a part of the company.
- 72.8 percent of earners believed the emotional impact of the reward was positive.
- *Source: Site International Foundation. Incentive Travel: The Participant's Viewpoint, Part III: Memorable Characteristics of Incentive Travel.*

Motivational Value of Incentive Travel

- 60.2 percent of respondents agreed that the opportunity to interact with higher-level executives is motivational value. *Source: Site International Foundation. Incentive Travel: The Participant's Viewpoint, Part II: Motivational Value of Incentive Travel.*
- 86.3 percent of respondents agreed that earning motivational travel made them feel recognized by their companies and peers. *Source: Site International Foundation. Incentive Travel: The Participant's Viewpoint, Part II: Motivational Value of Incentive Travel.*
- Incentive programs can increase performance of an individual by 22 percent and of a team by 44 percent. *Source: Site International Foundation and the Incentive Travel Council of the Incentive Marketing Association, Incentive Travel: The Participant's Viewpoint, Part 1: Incentive Travel as a Meaningful Motivator.*
- 95.5 percent of qualifiers said they were motivated to earn the reward and 90.7 percent of those who didn't qualify nevertheless found it similarly motivating. *Source: Site International Foundation and the Incentive Travel Council of the Incentive Marketing Association, Incentive Travel: The Participant's Viewpoint, Part 1: Incentive Travel as a Meaningful Motivator.*

Financial Benefits of Incentive Travel

An employee's total base compensation would need to be increased by 8.5 percent to achieve the same effect as from incentive travel. Though people may say they prefer cash, non-cash rewards are two to three times more effective than cash rewards.

Source: Oxford Economics, The Return on Investment of U.S. Business Travel, page 4, 47.

Incentive Travel as a Growing Industry

In 2015, 84 percent of U.S. businesses use non-cash rewards to recognize and reward key audiences – up from 74 percent in 2013. U.S. businesses spent \$90 billion on these types of rewards – up from \$77 billion in 2013.

Source: Incentive Marketplace Estimate Research Study. Conducted by Intellectual Group, St. Louis, MO for the Incentive Federation Incorporated, July, 2016.

Incentive Budgets

- As of 2016, budgets are up to more than \$3,500 per person.
- For a program based on annual targets, budget 2-3 percent of employees' total compensation. For quarterly targets, budget 4-5 percent of employees' total compensation.

Taxation

- Incentive trips are counted as taxable income for employees.
- According to the Tax Reform Act of 1986, if the company has an established incentive program, employers can deduct up to \$1,600 per employee. *Source: Tax Ramifications of Corporate Incentive Programs. Incentive Marketplace.*

Incentive Trip Planning

- The most popular types of incentive trips are experiential, wellness, chartered plane travel and all-inclusive trips.
- The most popular destinations are the Caribbean, North America and Europe.

The Future of Incentive Travel

Almost 61 percent of respondents predicted that there would be an increase in the practice of including business meetings and other similar components in incentive programs.

Source: Site International Foundation. The Convergence of Incentive Travel and Meeting Planning Activities.